



**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE  
SPECIAL MEETING**

**Wednesday, June 02, 2021  
10:00 AM**

Committee Members:

Mayor Jesse Arreguin, Councilmembers Kate Harrison and Lori Droste  
Alternate: Councilmember Rashi Kesarwani

**PUBLIC ADVISORY: THIS MEETING WILL BE CONDUCTED EXCLUSIVELY THROUGH  
VIDEOCONFERENCE AND TELECONFERENCE**

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this meeting of the City Council Budget & Finance Committee will be conducted exclusively through teleconference and Zoom videoconference. Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, there will not be a physical meeting location available.

To access the meeting remotely using the internet: Join from a PC, Mac, iPad, iPhone, or Android device: Use URL - <https://us02web.zoom.us/j/89452484127> If you do not wish for your name to appear on the screen, then use the drop down menu and click on "rename" to rename yourself to be anonymous. To request to speak, use the "raise hand" icon on the screen.

To join by phone: Dial **1-669-900-9128** or **1-877-853-5257 (Toll Free)** and Enter Meeting ID: **894 5248 4127**. If you wish to comment during the public comment portion of the agenda, press \*9 and wait to be recognized by the Chair.

Written communications submitted by mail or e-mail to the Budget & Finance Committee by 5:00 p.m. the Friday before the Committee meeting will be distributed to the members of the Committee in advance of the meeting and retained as part of the official record. City offices are currently closed and cannot accept written communications in person.

# AGENDA

## Roll Call

## Public Comment on Non-Agenda Matters

## Minutes for Approval

*Draft minutes for the Committee's consideration and approval.*

### 1. Minutes - May 27, 2021

## Committee Action Items

*The public may comment on each item listed on the agenda for action as the item is taken up. The Chair will determine the number of persons interested in speaking on each item. Up to ten (10) speakers may speak for two minutes. If there are more than ten persons interested in speaking, the Chair may limit the public comment for all speakers to one minute per speaker.*

*Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.*

### 2. FY 2021-2025 Revenue Projections

**From: City Manager**

Contact: Henry Oyekanmi, Finance, (510) 981-7300

### 3. Deferrals to the AAO Process in November

**From: City Manager**

Contact: Dave White, City Manager's Office, (510) 981-7000

### 4. Discussion of Council Referrals to the Budget Process

**From: City Manager**

Contact: Dee Williams-Ridley, City Manager, (510) 981-7000

## Committee Action Items

5. **Establish A Pilot Climate Equity Action Fund to Assist Low-Income Residents with Transition to Zero-Carbon Transportation and Buildings**  
**From: Councilmember Harrison (Author), Mayor Arreguin (Author), Councilmember Robinson (Co-Sponsor), Councilmember Taplin (Co-Sponsor)**

**Referred: April 26, 2021**

**Due: October 11, 2021**

**Recommendation:**

1. Adopt a Resolution establishing: a. a Climate Equity Action Fund as a repository of grant and municipal funds for equitable climate-related pilot programs for low-income households at or below 50% of Area Median Income or as otherwise designated by Council; and b. an annual process for the Energy Commission (or successor) and Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES), in consultation with community groups, to provide input to staff and Council about eligible categories of fund expenditures (e.g., transportation modal shift or building electrification) to maximize equitable emissions reductions and impacts for eligible households.
2. Refer to the June, 2021 budget process: a. \$500,000 of general fund monies from excess equity as seed funding for the Climate Equity Action Fund pilot program; and b. \$100,000 for staff costs associated with the Finance Department and OESD in administering applications and disbursement of monies.

**Financial Implications:** See report.

Contact: Kate Harrison, Councilmember, District 4, (510) 981-7140

6. **Budget Referral and Resolution Establishing A Pilot Existing Building Electrification Incentive Program to Assist New Homeowners, Renters and Existing Homeowners with Transition to Zero-Carbon Buildings**  
**From: Councilmember Harrison (Author), Councilmember Bartlett (Co-Sponsor)**

**Referred: May 17, 2021**

**Due: November 1, 2021**

**Recommendation:** 1. Adopt a Resolution establishing: a. a two-year Pilot Existing Building Electrification Incentive Program to Assist New Homeowners, Renters and Existing Homeowners with Transition to Zero-Carbon Buildings; and b. an annual process for the Energy (or successor) Commission and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES), in consultation with community groups, to provide input to staff and Council about eligible categories of fund expenditures to maximize equitable emissions reductions and impacts for eligible households while leaving the mechanisms for doing so to staff discretion. 2. Refer to the June, 2021 budget process: a. \$1,500,000 of general fund monies from excess equity as seed funding for the two-year pilot, inclusive of staff costs, for FY 2022.

**Financial Implications:** See report

Contact: Kate Harrison, Councilmember, District 4, (510) 981-7140

## Unscheduled Items

*These items are not scheduled for discussion or action at this meeting. The Committee may schedule these items to the Action Calendar of a future Committee meeting.*

### 7. **Potential Measure P FY2022 Allocations**

**From: Councilmember Droste (Author)**

**Referred: January 25, 2021**

**Due: June 14, 2021**

**Recommendation:** Refer the Measure P funding discussion to the City Manager, Measure P Homeless Panel of Experts to determine next steps to ensure that the Measure P fund stays solvent. Specifically, these bodies should prioritize preferred programs and services within the various categories that the Measure P panel previously outlined according to updated projected revenues. During the course of these deliberations, the Panel of Experts should hear presentations from staff on which homeless services (e.g. permanent supportive housing exits, shelters, emergency interventions, multi-departmental staffing, and supportive services) are funded outside of Measure P so that the bodies can make recommendations after understanding the entirety of services and programs.

To the extent possible, the committees and commissions should attempt to find a non-volatile source of funding for permanent supportive housing, using the 1,000 person plan as a framework for best addressing the homelessness crisis on our streets.

The Panel of Experts should finalize their priorities in time for the budget committee's consideration in June of 2021.

**Financial Implications:** See report

Contact: Lori Droste, Councilmember, District 8, (510) 981-7180

### 8. **Proposal to Allocate Revenues Generated by the Transient Occupancy Tax in the Waterfront Area to the Marina Fund to Avoid Insolvency, Rebuild its Fund Balance and to Stabilize its Finances**

**From: Parks and Waterfront Commission**

**Referred: April 5, 2021**

**Due: October 9, 2021**

**Recommendation:** That Council adopt a Resolution adopting a policy that all Transient Occupancy Taxes (TOT hotel tax) generated at the Berkeley Waterfront be allocated to the City's Marina Enterprise Fund. All other property, sales, utility users, and parking taxes; as well as business license and franchise fees, would continue to be allocated to the City's General Fund.

**Financial Implications:** See report

Contact: Roger Miller, Commission Secretary, (510) 981-6700

## Unscheduled Items

9. **Predevelopment Allocation, Ashby Recreation and Community Housing (ARCH) Consortium**  
**From: Councilmember Bartlett (Author), Mayor Arreguin (Co-Sponsor), Councilmember Taplin (Co-Sponsor)**  
**Referred: March 8, 2021**  
**Due: July 26, 2021**  
**Recommendation:** Refer to staff to work with the Ashby Recreation and Community Housing (ARCH) Consortium to develop a planning grant for the Ashby BART East Parking Lot  
**Financial Implications:** See report.  
Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130
10. **Disposition of Referrals, Projects and Audits**  
**From: City Manager**  
Contact: Melissa McDonough, City Manager's Office, (510) 981-7000
11. **Housing Trust Fund Resources**  
**From: City Manager**  
Contact: Lisa Warhuus, Housing and Community Services, (510) 981-5400
12. **Cash v. Accrual Basis Accounting**  
**From: City Manager**  
Contact: Henry Oyekanmi, Finance, (510) 981-7300
13. **Review of Council's Fiscal Policies**  
**From: City Manager**  
Contact: Rama Murty, Budget Office, (510) 981-7000

## Adjournment

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*Written communications addressed to the Budget & Finance Committee and submitted to the City Clerk Department will be distributed to the Committee prior to the meeting.*

*This meeting will be conducted in accordance with the Brown Act, Government Code Section 54953. Members of the City Council who are not members of the standing committee may attend a standing committee meeting even if it results in a quorum being present, provided that the non-members only act as observers and do not participate in the meeting. If only one member of the Council who is not a member of the committee is present for the meeting, the member may participate in the meeting because less than a quorum of the full Council is present. Any member of the public may attend this meeting. Questions regarding this matter may be addressed to Mark Numainville, City Clerk, (510) 981-6900.*



### COMMUNICATION ACCESS INFORMATION:

To request a disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact the Disability Services specialist at (510) 981-6418 (V) or (510) 981-6347 (TDD) at least three business days before the meeting date.

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I hereby certify that the agenda for this meeting of the Standing Committee of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City's website, on May 27, 2021.



Mark Numainville, City Clerk

## **Communications**

*Communications submitted to City Council Policy Committees are on file in the City Clerk Department at 2180 Milvia Street, 1st Floor, Berkeley, CA, and are available upon request by contacting the City Clerk Department at (510) 981-6908 or [policycommittee@cityofberkeley.info](mailto:policycommittee@cityofberkeley.info).*

**BERKELEY CITY COUNCIL BUDGET & FINANCE COMMITTEE  
REGULAR MEETING MINUTES**

**Thursday, May 27, 2021  
10:00 AM**

Committee Members:

Mayor Jesse Arreguin, Councilmembers Kate Harrison and Lori Droste  
Alternate: Councilmember Rashi Kesarwani

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## AGENDA

**Roll Call:** 10:01 a.m. All present.

**Public Comment on Non-Agenda Matters:** 4 speakers.

### Minutes for Approval

*Draft minutes for the Committee's consideration and approval.*

#### 1. Minutes - May 17, 2021

**Action:** M/S/C (Droste/Arreguin) to approve the minutes of May 17, 2021.

**Vote:** Ayes – Droste, Arreguin; Noes – None; Abstain – None; Absent - Harrison.

### Committee Action Items

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*Following review and discussion of the items listed below, the Committee may continue an item to a future committee meeting, or refer the item to the City Council.*

#### 2. FY 2022 Fire Department and Police Department Budget Discussion

**From: City Manager**

Contact: Abe Roman, Fire Department, (510) 981-3473,  
Jennifer Louis, Police Department, (510) 981-5900

**Action:** 16 speakers. M/S/C (Arreguin/Droste) to direct the City Manager to bring a budget proposal to Council to expand public safety and mental health services to deal with the present public safety crisis and violence in the community.

**Vote:** All Ayes.

#### 3. FY 2021-2025 Revenue Projections

**From: City Manager**

Contact: Henry Oyekanmi, Finance, (510) 981-7300

Item continued to next meeting on June 2, 2021.

#### 4. Deferrals to the AAO Process in November

**From: City Manager**

Contact: Dave White, City Manager's Office, (510) 981-7000

Item continued to next meeting on June 2, 2021.

## Committee Action Items

5. **Predevelopment Allocation, Ashby Recreation and Community Housing (ARCH) Consortium**  
**From: Councilmember Bartlett (Author), Mayor Arreguin (Co-Sponsor), Councilmember Taplin (Co-Sponsor)**  
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**Recommendation:** Refer to staff to work with the Ashby Recreation and Community Housing (ARCH) Consortium to develop a planning grant for the Ashby BART East Parking Lot  
**Financial Implications:** See report.  
Contact: Ben Bartlett, Councilmember, District 3, (510) 981-7130
- Item continued to meeting on June 10, 2021.
6. **Budget Referral and Resolution Establishing A Pilot Existing Building Electrification Incentive Program to Assist New Homeowners, Renters and Existing Homeowners with Transition to Zero-Carbon Buildings**  
**From: Councilmember Harrison (Author), Councilmember Bartlett (Co-Sponsor)**  
**Referred: May 17, 2021**  
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**Recommendation:**
1. Adopt a Resolution establishing: a. a two-year Pilot Existing Building Electrification Incentive Program to Assist New Homeowners, Renters and Existing Homeowners with Transition to Zero-Carbon Buildings; and b. an annual process for the Energy (or successor) Commission and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES), in consultation with community groups, to provide input to staff and Council about eligible categories of fund expenditures to maximize equitable emissions reductions and impacts for eligible households while leaving the mechanisms for doing so to staff discretion.
  2. Refer to the June, 2021 budget process: a. \$1,500,000 of general fund monies from excess equity as seed funding for the two-year pilot, inclusive of staff costs, for FY 2022.
- Financial Implications:** See report  
Contact: Kate Harrison, Councilmember, District 4, (510) 981-7140
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**From: City Manager**  
Contact: Rama Murty, Budget Office, (510) 981-7000

## Items for Future Agendas

- Discussion of items to be added to future agendas

## Adjournment

**Action:** M/S/C (Harrison/Arreguin) to adjourn the meeting.

**Vote:** Ayes – Harrison, Arreguin; Noes – None; Abstain – None; Absent - Droste.

Adjourned at 12:52 p.m.

I hereby certify that this is a true and correct record of the Budget & Finance Committee meeting held on May 27, 2021.

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April Richardson, Assistant City Clerk

## Communications

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Office of the City Manager

Date: May 17, 2021  
 To: Budget and Finance Policy Committee  
 From: Dee Williams-Ridley, City Manager  
 Submitted by: Henry Oyekanmi, Director, Finance  
 Subject: FY 2021 - 2025 Revenue Projections

In preparation for the Budget adoption on June 29<sup>th</sup>, 2021, the Finance Department has prepared an updated projections of FY 2021 - 2025 General Fund revenues, based on actual cash receipts through March 31 (9 months of operations for FY 2021) and estimates for what will be collected in the final quarter of this fiscal year and for subsequent years. Finance will update projections every month after the close of each month until the FY 2022 budget is adopted, but we do not foresee any significant changes to what is presented here.

As the City begins to emerge from mandated business closures and capacity restrictions, we have more clarity about what the full impacts have been on revenues, and which trends may continue to be felt in the upcoming fiscal years.

The largest year-over-year decrease, in percentage terms, was from Transient Occupancy Tax on hotels and short-term rentals. Both were down over 70% from their FY 2019 peaks. While the return of in-person classes and other activities at UC will enable some recovery of these revenue streams, the continued use of virtual technologies and other adaptive practices necessitated by the pandemic may prevent a quick return to previous revenue levels.

Property Tax collections have remained strong, likely due to resilient income levels among many Berkeley property owners and the fact that property values have held firm.

The effects of the pandemic's impact on commercial activity are seen in our reduced Business License revenues for FY 2021. While final collections will exceed the amount budgeted, they will still be down by 25% from the prior year. Some of this decline is due to temporary closures or reduced operations by City businesses and it is anticipated they will recover once capacity and travel restrictions are fully lifted. There is a portion that we are aware is due to permanent closures of businesses that did not survive the pandemic, and it may take time for Business License revenues to return to pre-pandemic levels. Measure U1 (large landlord supplementary tax) revenues, is down approximately about 20% from pre-pandemic levels.

General Fund Revenues FY 2021 through 2025

HISTORICAL AND PROJECTED GENERAL FUND REVENUES

				Projected General Fund Revenue FY 2021 through FY 2025								
	FY 2018	FY 2019	FY 2020	FY 2021 Adopted	FY 2021 YTD Mar	FY 2021 Revised	Chg	%	FY 2022	FY 2023	FY 2024	FY 2025
<b>Undesignated Revenues</b>												
Secured Property Taxes	56,038,218	59,178,773	63,192,678	61,165,454	44,015,461	68,058,516	6,893,062	11.3%	70,780,857	73,258,187	75,822,223	78,476,001
Supplemental Taxes	2,237,649	2,174,903	2,334,597	1,260,000	855,050	2,000,000	740,000	58.7%	2,000,000	2,000,000	2,000,000	2,000,000
Unsecured Property Taxes	2,687,198	2,878,275	3,164,168	2,250,000	3,492,078	3,500,000	1,250,000	55.6%	2,625,000	2,625,000	2,625,000	2,625,000
Property Transfer Taxes	18,911,368	19,952,981	22,137,492	16,500,000	16,355,532	16,500,000	0	0.0%	12,500,000	12,500,000	12,500,000	12,500,000
Property Transfer Tax - Measure P		2,932,313	9,512,603	4,747,414	6,786,267	8,200,000	3,452,586	72.7%	7,000,000	7,000,000	7,000,000	7,000,000
Sales Taxes	17,435,591	18,663,550	17,557,539	15,786,200	12,097,591	15,985,141	198,941	1.3%	18,287,215	19,827,678	20,660,832	21,528,995
Soda Tax	1,457,003	1,547,349	1,331,313	970,794	731,711	970,794	0	0.0%	990,210	1,010,014	1,030,214	1,050,819
Utility Users Taxes	14,828,120	13,973,744	13,475,915	12,750,000	10,373,713	13,269,760	519,760	4.1%	13,000,000	13,000,000	13,000,000	13,000,000
Transient Occupancy Taxes(TOT)	7,807,273	7,995,188	6,387,495	5,070,000	1,550,242	2,070,000	(3,000,000)	-59.2%	2,173,500	2,282,175	2,396,284	2,516,098
Short-term Rentals	911,015	1,830,983	1,280,460	676,260	367,359	476,260	(200,000)	-29.6%	500,073	525,077	551,330	578,897
Business License Taxes	19,878,912	19,848,803	20,863,638	12,984,192	13,421,057	15,300,000	2,315,808	17.8%	16,065,000	16,868,250	17,711,663	18,597,246
Recreational Cannabis		1,168,794	1,446,655	1,300,000	1,173,584	1,500,000	200,000	15.4%	1,530,000	1,560,600	1,591,812	1,623,648
Measure U1	5,161,615	5,828,443	5,597,359	2,700,000	3,894,230	4,600,000	1,900,000	70.4%	4,692,000	4,785,840	4,881,557	4,979,188
Other Taxes		2,278,496	2,117,691	1,456,560	1,561,541	1,572,048	115,488	7.9%	1,603,489	1,635,559	1,668,270	1,701,635
Vehicle In Lieu Taxes	11,822,917	12,540,784	13,356,044	12,421,597	7,190,227	14,384,459	1,962,862	15.8%	14,959,837	15,483,432	16,025,352	16,586,239
Parking Fines - Regular Collections	6,608,001	6,002,211	3,897,580	5,049,000	2,721,104	3,549,000	(1,500,000)	-29.7%	3,726,450	3,912,773	4,108,411	4,313,832
Parking Fines - Booting Collections		211,913	8,685	0	0	0	0	0.0%	0	0	0	0
Moving Violations	188,443	177,824	209,894	190,000	79,471	130,000	(60,000)	-31.6%	132,600	135,252	137,957	140,716
Ambulance Fees	4,343,453	4,424,808	4,962,919	5,103,208	2,218,081	3,092,159	(2,011,049)	-39.4%	3,154,002	3,217,082	3,281,424	3,347,052
Interest Income	3,636,989	4,334,404	7,853,460	2,851,200	3,691,892	4,411,120	1,559,920	54.7%	4,411,120	4,411,120	4,411,120	4,411,120
Franchise Fees	2,009,931	1,821,316	1,839,102	1,551,696	540,563	1,581,650	29,954	1.9%	1,613,283	1,645,549	1,678,460	1,712,029
Other Revenues	10,736,326	8,116,908	8,065,884	6,246,348	7,900,032	8,600,000	2,353,652	37.7%	6,200,000	6,200,000	6,200,000	6,200,000
Indirect cost reimbursements	6,149,619	5,223,725	5,489,783	5,490,000	3,872,835	5,490,000	0	0.0%	5,490,000	5,490,000	5,490,000	5,490,000
Transfers	5,792,575	5,356,132	5,386,188	17,274,293	13,297,923	13,935,550	(3,338,743)	-19.3%	5,874,293	5,874,293	5,874,293	5,874,293
<b>Total Undesignated Revenues</b>	<b>198,642,216</b>	<b>208,462,620</b>	<b>221,469,143</b>	<b>195,794,216</b>	<b>158,187,544</b>	<b>209,176,457</b>	<b>13,382,241</b>	<b>6.8%</b>	<b>199,308,929</b>	<b>205,247,879</b>	<b>210,646,201</b>	<b>216,252,808</b>
<b>Designated Revenues</b>												
Prop. Transfer Taxes for capital improvements						3,500,000	3,500,000		7,500,000	7,500,000	7,500,000	7,500,000
<b>Total Designated Revenues</b>				<b>0</b>	<b>0</b>	<b>3,500,000</b>	<b>3,500,000</b>		<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>198,642,216</b>	<b>208,462,620</b>	<b>221,469,143</b>	<b>195,794,216</b>	<b>158,187,544</b>	<b>212,676,457</b>	<b>16,882,241</b>	<b>8.6%</b>	<b>206,808,929</b>	<b>212,747,879</b>	<b>218,146,201</b>	<b>223,752,808</b>

1. Secured Property Taxes- Projections based on actual or forecast increase in assessed values: FY 2021 7.70%; FY 2022 4.0%; FY 2023-FY 2030 3.5%. Conservatively assumes the real estate market will remain active through FY 2021, and then level off.
2. Unsecured Property Taxes, Supplemental Taxes, Utility Users Taxes, and Ambulance Fees-Historical revenues have been flat for several years, but assessed values increased in FY 2019-FY 2021. As a result of the COVID-19 pandemic, the Assessor is projecting a 25% decrease in assessed value of business personal property
3. Property Transfer Taxes- Projections assume a \$20.0 million level in FY 2021-25,
4. Sales Taxes- Projections are "the most likely outcome" each year up to FY 2030, as provided by MuniServices, the City's Sales Tax consultant that maintains the City's Sales Tax data base. The Consultant expects a strong rebound starting in FY 2022 and continuing through FY 2027.
5. Transient Occupancy Taxes- After several years of double-digit growth, this revenue source was devastated by COVID-19 in FY 2021; thereafter, 5% growth is projected through FY 2030. These projections do not include the projected impact of Pyramid Hotel scheduled to open in FY 2022.
6. Business License Taxes (excluding Cannabis Recreational)-Huge decline is expected in FY 2021 as a result of COVID-19; Thereafter, assumes a 5% growth rate from FY 2022-FY 2030.
7. Business License Taxes- Cannabis Recreational- Assumes a 5% growth rate from FY 2022-FY 2030.
8. Vehicle In Lieu Taxes- Projections based on actual or forecast increase in assessed values: FY 2021 7.70%; FY 2022 4.0%; FY 2023-FY 2030 3.5%.
9. Parking Fines- Ticket writing has been in a downward spiral for many years; Parking Fines declined sharply in FY 2021 as a result of the Shelter in Place Orders; the projections assume a slow comeback of 5% each year from FY 2022 through FY 2030.
10. Interest Income-The Fed lowered rates to zero again. After a big hit in FY 2021, projection assumes flat growth through FY 2030.
11. Franchise Fees- This revenue source has historically experienced relatively low growth. After a big hit in FY 2021, projection assumes 2% each year through FY 2030.
12. Indirect Cost Reimbursements-Reimbursement increases result from increases in the indirect cost allocation base (i.e., total direct salaries and wages in the fund), an increase in the indirect cost rate or both. Projections assume flat revenue through FY 2030.
13. Soda Taxes- This revenue source was always expected to decline, as the decline in sweet drinks decline. Projections assume a dip in FY 2021 and then 2% growth each year until the tax sunsets on 12/31/2026.

**Property Taxes**

The revenue projection for Real Property Tax revenue is primarily based on the annual County Assessor's Office estimate of assessed values, which is provided in June each year. The growth in assessed value and property tax delinquencies (which are very low in Berkeley) determine the Secured Property Taxes for each year. The difference between the estimate in June and the actual certification in August is generally small. We continue to assume an annual 3.5% increase in property valuations, as we do not expect impacts to valuations in the near term. Staff will closely monitor all economic activities that drive this revenue stream, including reports from the County when available and adjust as necessary. We had previously decreased our expected revenue by 6.5% for FY 2021 due to possible collection concerns, but actual revenues are maintaining growth in line with projected overall valuation increases. A resilient property sales market has further increased revenue, due to taxable valuation increases of transferred properties to market values.

**Unsecured Property Taxes**

Factors that affect the revenue generated by taxes on personal property are business capital expenditures growth, and the collection rate. The growth in annual personal property tax revenues should generally be close to the growth in annual assessed values, except for significant changes in collection rates. In addition, prior years' personal property levies collected in the current year and refunds are included in the total and can cause significant variances. We now project FY 2021 revenue to be higher than originally budgeted, but still expect decreases in subsequent years, due to possible current year devaluations affecting future collections.

**Property Transfer Taxes**

Because Property Transfer Tax is tied directly to all real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Factors that affect the revenue generated by Transfer Taxes are the sale price of property and the frequency with which property is sold. These immediate factors are driven by the availability of mortgage loans, the level of long-term interest rates, the supply and demand for real estate in Berkeley, and general economic growth in the Bay Area. Staff analyze these factors and the recent property sales trends to project the revenue for the year. Property sales activity and property values have remained resilient through FY 2021, and we now project \$20.0M in base Transfer Tax revenue, as well as \$8.2M from Measure P (additional tax on high-value property transfers). This represents an 11% decrease from FY 2020.

**Sales Taxes**

Sales Taxes are collected by the State, and remitted to the City one quarter in arrears. We project full FY 2021 revenue to be slightly higher than the adopted budget amount (\$16.0M vs. \$15.8M), based on estimates of activity in the City's business categories and YTD collections. The city's Sales Tax projections are the "most likely outcome" as provided by the MuniServices, the City's Sales Tax consultant that maintains the City's Sales Tax data base.

**Business License Tax**

Business License Tax is due in February each year, based on the gross receipts from the previous calendar year. Consequently, most of this revenue is recorded in the third

quarter of the fiscal year. Some amounts, however, are received later due to late payments. Annual Business License Tax revenues are affected by: (a) the number of business renewals; (b) commercial and industrial growth rates; (c) attraction and loss of businesses; (d) economic growth in the Bay Area; (e) the results of Finance BLT collection activity; and (f) Finance Department audit programs.

Staff analyze these factors and recent revenue trends to project the BLT revenue for the year. Although we initially budgeted FY 2021 revenue to be down almost 40% compared with FY 2020 due to the effects of COVID-19 mandated closures, improving economic conditions in the latter part of the year, and the ability of many businesses to adapt to social distancing requirements allowed for greater than expected gross receipts by City businesses. We now project that total Business License revenue will be \$15.3M for FY 2021, down only 27% from FY 2020. Filings of Business License Tax returns were also down 15%, with only 10,979 businesses filing returns for the 12 months ending December, 2020, compared with 13,029 in the prior year. We cannot be sure at this point whether these are the result of permanently closed businesses or simply delayed filings due to temporary closure or financial hardship. We will continue to monitor delinquent filings and adjust future projections as necessary.

### **Transient Occupancy Tax**

Factors that affect the revenue generated by Transit Occupancy Taxes (TOT) are: the number of hotel rooms available for occupancy; their level of occupancy; and the average room rates charged. Economic cycles that impact personal or business discretionary spending also impact travel, and thus affect the number of occupied rooms in a particular economic cycle. The Adopted Budget TOT revenue forecast is based on projections for the 12 largest hotels (TOT = number of rooms times hotel's estimate of occupancy rate times average room rate).

Transient Occupancy Tax receipts have continued to be drastically reduced through FY 2021, due to travel restrictions and shelter-in-place orders, as well as the shift of a large portion of the University of California's classes to remote instruction. For FY 2021, due to potentially deteriorating economic conditions, event cancellations, and consumer concern regarding the safety of travel, we now project TOT revenues to be reduced by 75% compared with the last full pre-COVID-19 fiscal year (FY 2019).

### **Utility Users Tax**

The Utility Users Tax (UUT) revenues are affected by: (a) consumption/use of gas, electricity, telecommunication services, cable, and cellular; (b) regulatory actions, including deregulation and re-regulation; (c) PUC rate changes; (d) market forces; (e) evolution of technology; and (f) legislative actions at State and Federal levels. About 65% of UUT revenues were generated from gas and electric services and 35% from telecommunications each year.

Staff analyze these factors, data provided by PG&E and revenue trends to project the UUT revenue for the year.

**Long-Term Projections**

	Projected General Fund Revenue FY 2021 through FY 2025				
	FY 2021 Revised	FY 2022	FY 2023	FY 2024	FY 2025
<b>Undesignated Revenues</b>					
Secured Property Taxes	68,058,516	70,780,857	73,258,187	75,822,223	78,476,001
Supplemental Taxes	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Unsecured Property Taxes	3,500,000	2,625,000	2,625,000	2,625,000	2,625,000
Property Transfer Taxes	16,500,000	12,500,000	12,500,000	12,500,000	12,500,000
Property Transfer Tax - Measure P	8,200,000	7,000,000	7,000,000	7,000,000	7,000,000
Sales Taxes	15,985,141	18,287,215	19,827,678	20,660,832	21,528,995
Soda Tax	970,794	990,210	1,010,014	1,030,214	1,050,819
Utility Users Taxes	13,269,760	13,000,000	13,000,000	13,000,000	13,000,000
Transient Occupancy Taxes(TOT)	2,070,000	2,173,500	2,282,175	2,396,284	2,516,098
Short-term Rentals	476,260	500,073	525,077	551,330	578,897
Business License Taxes	15,300,000	16,065,000	16,868,250	17,711,663	18,597,246
Recreational Cannabis	1,500,000	1,530,000	1,560,600	1,591,812	1,623,648
Measure U1	4,600,000	4,692,000	4,785,840	4,881,557	4,979,188
Other Taxes	1,572,048	1,603,489	1,635,559	1,668,270	1,701,635
Vehicle In Lieu Taxes	14,384,459	14,959,837	15,483,432	16,025,352	16,586,239
Parking Fines - Regular Collections	3,549,000	3,726,450	3,912,773	4,108,411	4,313,832
Parking Fines - Booting Collections	0	0	0	0	0
Moving Violations	130,000	132,600	135,252	137,957	140,716
Ambulance Fees	3,092,159	3,154,002	3,217,082	3,281,424	3,347,052
Interest Income	4,411,120	4,411,120	4,411,120	4,411,120	4,411,120
Franchise Fees	1,581,650	1,613,283	1,645,549	1,678,460	1,712,029
Other Revenues	8,600,000	6,200,000	6,200,000	6,200,000	6,200,000
Indirect cost reimbursements	5,490,000	5,490,000	5,490,000	5,490,000	5,490,000
Transfers	13,935,550	5,874,293	5,874,293	5,874,293	5,874,293
<b>Total Undesignated Revenues</b>	<b>209,176,457</b>	<b>199,308,929</b>	<b>205,247,879</b>	<b>210,646,201</b>	<b>216,252,808</b>
<b>Designated Revenues</b>					
Prop. Transfer Taxes for capital improvements	3,500,000	7,500,000	7,500,000	7,500,000	7,500,000
<b>Total Designated Revenues</b>	<b>3,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>	<b>7,500,000</b>
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>212,676,457</b>	<b>206,808,929</b>	<b>212,747,879</b>	<b>218,146,201</b>	<b>223,752,808</b>

**Property Taxes**

Given the continued strong collection rate, and the resilience of property values in the City, we forecast that we will return to the 3.5% annual growth rate that existed pre-pandemic.

**Sales Taxes**

We project that the immense effects of COVID-19 on sales tax revenue in FY 2021 to be largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and project growth to then level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections.

**Business License Taxes**

We expect 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer.

**Transient Occupancy Tax**

With recovery of business at the City's hotels expected to lag behind general economic recovery, and relying on industry guidance regarding predicted occupancy levels, we are currently projecting only 5% annual growth from current revenue levels. We will continue to monitor the major hotels' projections of future occupancies and adjust long-term projections as necessary.

**Utility Users Tax**

We expect UUT revenue to remain flat from FY 2022 through FY 2024.

**Transfer Tax**

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain at \$20M per year from FY 2022 – FY 2024. Similarly, we expect revenues from Measure P supplemental tax on high value property transfers to remain steady at the \$7M level, after falling from a peak of \$9.5M in FY 2020.

**Conclusion**

We can be cautiously optimistic that our revenue levels are recovering as we exit the business and travel restrictions that came with the pandemic. It must be understood, that some of our revenue sources are tied to sectors of the local economy that may not experience immediate recovery, and others that may be permanently altered, as "temporary" adaptations necessary during the pandemic remain entrenched. These factors will not be fully tested until after mandated restrictions are fully lifted and citizens and consumers readjust to the post-pandemic landscape. In the short term, staff will continue to monitor the trend lines of these revenues and make the necessary adjustments needed as data are available.

**Bases for Projecting Major General Fund Revenues:**

Following are the methodologies used by City Finance staff to determine the General Fund major revenue projections each year:

**Secured Property Taxes:** The revenue projection for Real Property Tax revenue is primarily based on the annual County Assessor's Office estimate of assessed values, which is provided in June each year. The growth in assessed value and property tax delinquencies (which are very low in Berkeley) determine the Secured Property Taxes for each year. The difference between the estimate in June and the actual certification in August is generally small.

**Property Transfer Taxes:** Because Property Transfer Tax is tied directly to all real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Factors that affect the revenue generated by Transfer Taxes are the sale price of property and the frequency with which property is sold. These immediate factors are driven by the availability of mortgage loans, the level of long-term interest rates, the supply and demand for real estate in Berkeley, and general economic growth in the Bay Area. Staff analyze these factors and the recent property sales trends to project the revenue for the year.

**Vehicle in Lieu Taxes (VLF):** revenue projections are based on trend analysis, growth in assessed value and communications with the State Controller's Office staff about new vehicle sales and DMV administrative costs reported. VLF revenue is tied to the change in gross assessed values of taxable properties.

**Unsecured Property Taxes:** Factors that affect the revenue generated by taxes on personal property are business capital expenditures growth, and the collection rate. The growth in annual personal property tax revenues should generally be close to the growth in annual assessed values, except for significant changes in collection rates. In addition, prior years' personal property levies collected in the current year and refunds are included in the total and can cause significant variances.

**Sales Taxes:** Factors that affect the revenue generated by Sales Tax include:

- Overall economic growth in the Bay Area and competition from neighboring cities;
- Growth rate of specific dominant commercial/industrial sectors in Berkeley;
- Berkeley's business attraction/retention efforts, especially on retail establishments; and
- Catalog and Internet sales

The City contracts with a firm that specializes in sales tax consulting, monitoring of individual businesses, and projecting the revenues of individual businesses, and that firm projects the City's sales taxes each year.

**Business License Taxes (BLT):** Factors that affect the BLT revenue are:

- Number of business renewals;
- Commercial and industrial growth rates;
- Attraction/loss of businesses;
- Economic growth in the Bay Area; and
- Results of Finance BLT collection activity; and the City Auditor's and Finance Department audit programs.

Staff analyze these factors and recent revenue trends to project the BLT revenue for the year.

**Utility Users Taxes (UUT):** Some factors that affect the revenue generated by UUT are:

- Consumption/use of gas, electricity, telecommunication services, cable, and cellular;
- Regulatory actions, including deregulation and re-regulation;
- PUC rate changes;
- Market forces;
- Evolution of technology; and
- Legislative actions at State and Federal levels

About 65% of UUT revenues were generated from gas and electric services and 35% from telecommunications each year.

Staff analyze these factors, data provided by PG&E and revenue trends to project the UUT revenue for the year.

#### **Franchise Fees:**

##### Cable Franchise.

Prior to the passage of State Bill AB2987, Federal and State laws allowed cities to grant franchises to cable companies to use the public right-of-way (PROW) to install and provide video service. The cable company, in turn, applied for a permit to install the video facilities. The permit also allowed for maintenance work once the installation was complete. Under the current franchise agreement, the cable company pays Berkeley an annual franchise fee of 5% of gross revenues, in quarterly installments. In addition, they support the Public Access Channel programming (B-TV). The cable franchise expired on November 12, 2007. State Bill AB 2987 allows companies to apply for statewide cable television franchises, and the bill maintains the City's 5% franchise fee. In addition to the 5% franchise fee, the bill allows the City to receive an additional fee of 1% of the gross revenue for Public, Educational and Government (PEG) purposes.

##### Electric & Gas Franchises.

These franchise fees (ultimately paid by the consumer) are variable fees based on gross receipts for the sale of electricity or gas within the City, and is the greater of these two calculations:

1. Electric or Gas Franchise Ordinance: 2% of gross receipts attributable to miles of line operated; or
2. 1937 Act Computations: gross receipts within the City times 0.5%.

Electric/Gas franchise fees are paid annually to the General Fund. Electric and gas franchise payments are based on two methods of calculating gross receipts. The electric/gas company must complete both calculations, and the payment made is the greater amount. In addition, the PUC approved a franchise fee surcharge since PG&E no longer handles all energy service, in order to prevent cities from losing franchise revenue generated by third parties. The surcharge is an estimate of the amount of revenues generated by third parties multiplied by the franchise fee rate.

Staff analyze recent revenue trends and the reports provided by the utility companies and compared them to the UUT data for consistencies, in order to project the Franchise Fee revenues for the year.

**Transient Occupancy Taxes (TOT or Hotel Tax):** Factors that affect the revenue generated by TOT are: the number of hotel rooms available for occupancy; their level of occupancy; and the average room rates charged. Economic cycles that impact personal or business discretionary spending also impact travel, and thus affect the number of occupied rooms in a particular economic cycle.

The Adopted Budget TOT revenue forecast is based on projections for the 12 largest hotels (TOT = number of rooms times hotel's estimate of occupancy rate times average room rate).

**Interest Income:** The City employs a strict cash management program to ensure that all available funds are invested to earn the maximum yield consistent with safety and liquidity. Invested money is pooled and each of the funds receives interest income based on its share of monthly net cash balances. Short-term securities are purchased at a discount (the interest income earned by the City is the difference between the price paid by the City and the par value of the bonds). Long-term securities purchased by the City pay an interest coupon (generally semi-annually). Interest is allocated from the General Fund each month to other designated City funds, based on their net cash balances.

Interest Income projections are made by taking the existing investments and multiplying by the effective yield, and adding the calculation for estimated interest income on future investments (estimate of amounts to be invested in the various maturities, times the estimate of the applicable interest rate).

**Parking Fines:** Factors that affect the revenue generated by Parking Fines include:

- Amounts established for payment of parking tickets and related charges
- Number of working parking meters

- ❑ Collections using a professional collections agency and also registration holds with DMV and/or liens with the Franchise Tax Board.

Revenue projections are based on: an estimate of valid tickets issued times the average ticket price times the collection rate (including use of a collection agency, registration holds with DMV and/or liens with the Franchise Tax Board) minus Jail Construction Fund payments.

**Ambulance Fees:** By agreement with Alameda County, the City of Berkeley is the exclusive provider of all emergency ground ambulance service within the City limits. The contract began in July 1, 1999 and has been extended to June 30, 2024. The specific ambulance fee depends on the type of service delivered. Clients and clients' insurance companies are billed monthly by an outside agency (ADPI) that also maintains the City's accounts receivable subsidiary records. The Fire Department receives the remitted amounts and the revenues are credited to the General Fund.

Projections are based on trend analysis and discussions with Fire Department staff and their collection vendor for estimates of each type of service, and the total collections rate.





No Material  
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this Item

There is no material for this item.

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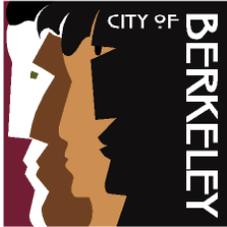
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Kate Harrison  
Councilmember District 4

CONSENT CALENDAR  
May 11, 2021

To: Honorable Mayor and Members of the City Council

From: Councilmember Harrison (Author), Mayor Arreguín (Author), Councilmember Terry Taplin (Co-Sponsor), and Councilmember Rigel Robinson (Co-Sponsor)

Subject: Budget Referral and Resolution Establishing A Pilot Climate Equity Action Fund to Assist Low-Income Residents with Transition to Zero-Carbon Transportation and Buildings

RECOMMENDATION

1. Adopt a Resolution establishing:
  - a. a Climate Equity Action Fund as a repository of grant and municipal funds for equitable climate-related pilot programs for low-income households at or below 50% of Area Median Income or as otherwise designated by Council; and
  - b. an annual process for the Energy Commission (or successor) and Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES), in consultation with community groups, to provide input to staff and Council about eligible categories of fund expenditures (e.g., transportation modal shift or building electrification) to maximize equitable emissions reductions and impacts for eligible households.
2. Refer to the June, 2021 budget process:
  - a. \$500,000 of general fund monies from excess equity as seed funding for the Climate Equity Action Fund pilot program; and
  - b. \$100,000 for staff costs associated with the Finance Department and OESD in administering applications and disbursement of monies.

CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

The City of Berkeley and broader world is facing a grave climate emergency, requiring municipalities to rapidly transition towards zero carbon economy by 2030. Transitioning Berkeley's economy will require significant investment on the part of both government and residents. Lower-income communities are most impacted by global climate change and have the least financial ability to address it. It is in the public interest to establish a Climate Equity Action Fund to assist low-income residents with the cost of transitioning from a carbon-based city. This item establishes a Climate Equity Action Fund as a

depository of funds related to climate equity, allocates an initial funding amount of \$500,000, contingent on the availability of excess equity, from the General Fund, and asks the Energy Commission (or successor) and FITES Committee, in consultation with community groups, to provide input to staff and Council on at least an annual basis about categories of fund expenditures that have the most benefit for low-income households and to maximize equitable emissions reduction impacts. It also provides \$100,000, contingent on the availability of excess equity, for staff costs associated with the Finance Department and Office of Energy and Sustainable Development (OESD) in administering applications and disbursement of monies

### BACKGROUND

According to the best available science, a 50% reduction in emissions is needed worldwide by 2030 or earlier in order to delay extremely catastrophic warming. Implicit in the U.N.'s global 2050 net-zero targets to keep emissions as close as possible to 1.5 degrees Celsius is the assumption that wealthy nations and cities will near zero by 2030.<sup>1</sup>

The people of Berkeley, especially low-income people, are already disproportionately impacted by the effects of climate change and fossil fuel pollution. Low-carbon technology can often be out of reach of many low-income households, and without direct assistance, many will be left behind.

The City's Electric Mobility Roadmap notes that key to ensuring equity in access to electric mobility is to improve its affordability, including through subsidized e-bike and EV charging incentive pilots and public transit passes.

In addition, Berkeley's Existing Building Electrification strategy includes recommendations for potential pilot projects prioritizing low-income communities with rebates and incentives. According to recent research conducted by the California Energy Commission, low-income residents will face the brunt of natural gas price increases as a result of communitywide electrification trends, highlighting the necessity of increasing access and affordability of all-electric technologies for low-income communities.

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<sup>1</sup> IPCC, 2018: Summary for Policymakers. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. *World Meteorological Organization, Geneva, Switzerland, 32 pp.*  
<https://www.ipcc.ch/sr15/chapter/spm/>.

While incentives are currently available to Berkeley residents for all-electric water heating and cooking appliances from BayRen and East Bay Community Energy (EBCE), lower-income households face structural barriers in accessing those incentives. As an example, rebates often provide only for high-end purchases rather than leases of items such as solar arrays and for premium appliances rated as Energy Star, which many lower-income households cannot afford.<sup>2</sup> Lower-income households are often denied the opportunity both to save money in energy costs and create cleaner, more efficient homes.

Additionally, with regard to building decarbonization, rebates are typically aimed at property owners that have sufficient capital available to replace natural gas building systems as part of a larger renovation or on an ad hoc basis when systems fail. These programs are not necessarily geared towards those with limited upfront capital and those less acquainted with the often confusing and complex all-electric building systems available to property owners. Rebates are also not necessarily geared towards the benefit of renters, such as those living in affordable housing complexes.

Existing BayRen incentives are in most cases not enough to cover the bulk of the all-electric retrofit. Further, BayRen's \$1,000 electric-heat pump space heater incentive will be out of reach for most Berkeleyans, regardless of income, as it requires the property owner to replace an existing gas heating system *combined* with an existing air conditioning unit. Air conditioning units have historically been a rarity in Bay Area homes in the more temperate climate zones such as Berkeley, and therefore this incentive will have little impact on Berkeleyans, and leaves a large gap across Berkeley's decarbonization strategy. Therefore, larger and more flexible incentives for low-income households and/or opportunities to lease, rent (and still receive rebates) or purchase low-carbon systems are needed.

### **Berkeley Climate Equity Action Fund Pilot – Initial Proposal for FY 2022**

In March 2021, Congress passed a \$1.9 trillion economic stimulus and recovery bill in response to the COVID-19 crisis. The law provides the City of Berkeley with approximately \$68 million dollars of one-time flexible funding that can be used to offset revenue reductions and costs associated with the City's COVID-19 response in addition to certain infrastructure projects. Congress provided local jurisdictions with flexibility about how to allocate these funds, and any excess equity resulting from using federal funds to supplant existing or planned appropriations. In other words, the Mayor and

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<sup>2</sup> Marti Frank, "Expanding Access to Energy Efficient Appliances," <https://ilsr.org/local-energy-rules-podcast-homepage/>.

Council could appropriate a certain proportion of any equity resulting from the Act towards municipal services, including services or programs that assist residents with transitioning towards a zero-carbon city.

The initial purpose of the Climate Equity Action Fund is to provide direct subsidies to low-income residents to help them transition away from fossil fuel building and transportation infrastructure.

Low-income households that qualify would be defined as those at or below 50% of Area Median Income (about \$59,000 per year for a family of 3), with a certain percentage of funds reserved for very-low-income families earning below 138% of the Federal Poverty Level (about \$30,000 per year for a family of 3). However, in recognition that equity requires consideration of more than just income alone, the Resolution provides for Council to approve other equitable investments and uses as recommended by staff in consultation with the community.

This item refers to the Energy (or successor) Commission and the FITES Committee on an annual basis to recommend how to best appropriate funds to maximize equitable emissions reduction impacts of funds to include, but not limited to:

- ***Transportation Modal Shift***

Income qualified subsidies for:

1. Renting or purchasing bicycles, electric bicycles, scooters, and other forms of micro mobility. The City of Berkeley is working with nearby jurisdictions to create a municipal micro-mobility rental program;
2. EV charging infrastructure, including membership in ChargePoint and other charging systems;
3. Public transit passes, including the AC Transit EasyPass.

- ***Building Decarbonization***

Income qualified subsidies for:

1. purchasing and installing induction stoves and electric ovens, heat pump water heaters, heat pump space heaters, energy-efficient refrigerators and heat pump washers and dryers;
2. electric panel upgrades associated with electrification of appliances;

3. leasing or purchasing solar arrays;
4. weatherization;
5. purchasing and installing smart thermostats and smart plugs/energy monitoring devices;
6. permit fees in connection with electrification retrofits and solar installation.

On November 3, 2020, Berkeley voters narrowly defeated Measure HH, which would have established a Climate Equity Action Fund and provided \$2.4 million annually through an increase in the electricity and gas portion of the Utility Users Tax. In contrast to Measure HH, this budget referral will not result in any tax increases as it relies on a one-time appropriation of General Fund monies associated with the American Rescue Act. However, by establishing a Climate Equity Action Fund, the Council would create a locus for grant funds and for future appropriate appropriations, whether through the General Fund or otherwise.

### **Berkeley Climate Equity – Moving into the Future**

The FITES Committee is currently considering a separate ordinance expanding eligibility for the Seismic Transfer Tax Rebate Program for electrification. Since only individuals who can afford to buy and sell property in Berkeley qualify for the proposed transfer tax rebate program, the Climate Equity Action Fund in subsequent years would be an equitable companion program aimed at lower-income populations, but could draw upon the same source of revenue.

### **Examples of Equitable Climate Programs Provided by Other Jurisdictions**

Neighboring jurisdictions already offer their residents various equitable income-based subsidies related to the climate transition. For example, Marin County maintains the Natural Gas Appliance Replacement Rebate Program known as Electrify Marin. This program is funded through a one-time grant from the Bay Area Air Quality Management District and provides generous subsidies for all-electric appliances and electric service panel upgrades. While funding is universal, it also provides qualified supplemental assistance such that low-income residents can equitably receive substantially more funding:

Appliance Type	Standard Rebate	Income Qualified Rebate
<b>Heat Pump Water Heater</b>	\$1,000	\$2,000
<b>Heat Pump Space Heater</b>		
Central Heat Pump	\$1,000	\$4,500
Mini-Split Heat Pump	\$800	\$3,000
<b>Induction Cooking</b>		
Range (Cooktop & Oven)	\$500	\$500
Cooktop only	\$250	\$250
<b>Service Panel Upgrade</b>	\$500	\$1,200

In addition, the City and County of San Francisco Public Utilities Commission provides residents with solar installation rebates through its GoSolarSF program; these rebates are in addition to those from PG&E. The program offers generous additional subsidies to low-income residents, nonprofit/municipal and nonprofit affordable housing applicants:

Incentive Levels for Calendar Year 2021	
CleanPowerSF & Hetch Hetchy Residential Basic*	\$0/kW
Add on if eligible: Environmental Justice or CalHome Loan	\$100/kW. Cap: 4.0 kW per meter.
Add on if eligible: City Installer	\$250/kW. Cap: 4.0 kW per meter.
Add on if eligible: Low-Income	\$2,000/kW. Cap: 4.0 kW per meter.
Business*	\$0/kW
Nonprofit/Municipal	\$1,000/kW. Cap: \$50,000 per service site.
Nonprofit Residential	\$1,000/kW. Cap: \$50,000 per service site.
Multi-Unit Residential Virtual Net Metering*	\$0/kW
Net Energy Metering Aggregation (NEM-A)*	\$0/kW

Several cities and countries offer financial incentives to purchase electric bikes as part of their GHG emissions reduction strategy.<sup>3</sup> Sonoma’s Community Choice Aggregator, Sonoma Clean Power, recently offered up to \$1,000 for qualified customers to purchase electric bikes. Eligible customers included those who participate in CARE/FERA rates or income-qualified programs such as SNAP (aka food stamps), Medicaid/Medical, Cash Assistance Program for Immigrants (CAPI), Women Infants and Children (WIC), Head

<sup>3</sup> “Electric Bike Subsidies and Grants Around the World. US, UK, Canada, and more,” eBikeHQ, <https://ebikeshq.com/electric-bike-subsidies-grants-around-world/>

Start, and many others. In addition, long term electric bike leasing and lease to own programs help to remove the cost barrier to electric bike use and ownership. Swapfiets has been offering leasing for \$20/month in several European cities, with roughly 35,000 leases in Amsterdam and 200,000 elsewhere in Europe.<sup>4</sup>

Currently, all Berkeley residential property owners are eligible for electrification incentives through BayRen, which does not provide a differential subsidy based on income. These rebates could be leveraged in combination with supplemental Berkeley Climate Equity Action fund subsidies for maximum impact:

**Eligible Program Measures & Rebate Amounts**

Measure	Rebate Amount
<b>Operations and Maintenance Measures</b>	
Smart Thermostat (must be listed on the ENERGY STAR qualified product list for Smart Communicating Thermostat)	\$150
Duct sealing ≤ 10% total leakage (Ducts or Furnace/Air Handler/FAU located in garage disqualify this measure)	\$200
Duct Replacement ≤ 5% total leakage	\$800
<b>Building Shell Measures</b>	
Attic insulation ≥ R-44 (includes attic air sealing)	\$0.75 / ft <sup>2</sup> (not to exceed \$1,000 per home)
Wall insulation ≥ R-13 (2x4 framing) or ≥ R-19 (2x6 framing)	\$0.70 / ft <sup>2</sup> (not to exceed \$1,000 per home)

<sup>4</sup> Feargus O'Sullivan, "How Paris Hopes to Build an E-Bike Boom," September 24, 2019, <https://www.citylab.com/transportation/2019/09/electric-bikes-paris-bicycle-rental-france-e-bike-subsidy/598192>. See also, Alex Ledson, "This Is The New Transport Trend Sweeping Europe" Oct 10, 2020, <https://www.forbes.com/sites/alexledson/2020/10/10/this-is-the-new-transport-trend-sweeping-europe/?sh=3667577c100b>

<b>Heating and Cooling Measures</b>	
High efficiency central gas furnace ≥ 95% AFUE w/ Variable Speed Motor (must replace existing central gas furnace)	\$300
High efficiency split central air conditioner ≥ 17 SEER High efficiency packaged central air conditioner ≥ 16 SEER (must replace entire load associated with existing central AC)	\$800
High efficiency heat pump ≥ 17 SEER / 9.4 HSPF (must replace entire load associated with electric heating system or heat pump or for electrification must replace existing central natural gas furnace and air conditioner with ducted direct exchange (non mini-split) heat pump or replace wall furnace and window air conditioner with a ductless mini-split heat pump.)	\$1,000
<b>Water Heating Measures</b>	
High efficiency storage gas water heater medium usage ≥ 0.64 UEF, high usage ≥ 0.68 UEF Instantaneous water heater ≥ 0.87 UEF (must replace existing gas storage water heater)	\$400
Heat pump water heater ≥ 3.1 UEF (must replace existing gas or electric water heater)	\$1,000
<b>Bonus Rebates</b>	
Combine one or more Building Shell measures with a Heating or Cooling measure (measures must be completed simultaneously)	\$500
Combine attic with exterior wall insulation (measures must be completed simultaneously)	\$500
Downsize heating and/or cooling system compared to existing system (requires a minimum 12 kBtu or 1 ton input reduction)	\$100
Building air sealing ≥ 30% total leakage reduction (must be combined with another measure, otherwise requires blower door test-in and test-out to qualify as a standalone building shell measure)	\$150
Combustion Appliance Safety (CAS) test-out (CAS test-out required for all measures. Not available as a standalone rebate. Only one per service address)	\$150
<b>Electrification Appliance Measures</b>	
*Induction electric range (no hybrid) or cooktop (must replace existing natural gas range or cooktop)	\$300
*Heat pump clothes dryer ≥ 4.50 Combined Energy Factor (CEF) (must replace existing natural gas clothes dryer and listed as ENERGY STAR Efficient heat pump clothes dryer.)	\$300

Electrification measures can replace gas equipment.

In addition, EBCE and Stopwaste currently offer Berkeley customers through the Home+ Energy Efficiency Program an additional \$1,000 incentive to help cover the installation cost of heat pump water heaters for a total of \$2,000 when combined with BayRen incentives. Again, these rebates do not provide for supplemental funding for lower-income households.

Finally, the city of Portland recently allocated \$8.6 million through the newly voter-approved Portland Clean Energy Community Benefits Fund grants to fund organizations conducting low-income energy retrofits.

**FINANCIAL IMPLICATIONS**

This item would result in a one-time investment of \$500,000 from excess equity to seed a Climate Equity Action Fund, and an additional \$100,000 for Finance Department and OESD staff costs associated with administering applications and disbursement of Fund monies.

ENVIRONMENTAL SUSTAINABILITY

Supporting low-income incentives for building decarbonization and transportation modal shift will complement and accelerate Berkeley's ongoing efforts to reduce carbon emissions at an emergency and equitable pace in line with the Climate Action Plan, Climate Emergency Declaration, Mobility Roadmap and Existing Building Electrification Strategy.

CONTACT PERSON

Councilmember Kate Harrison, Council District 4, 510-981-7140

RESOLUTION NO. ##,###-N.S.

RESOLUTION ESTABLISHING A CLIMATE EQUITY ACTION FUND

WHEREAS, the City of Berkeley and broader world is facing a grave climate emergency, requiring municipalities to rapidly transition towards a zero-carbon economy by 2030; and

WHEREAS, transitioning Berkeley's economy will require significant investment on the part of both government and residents; and

WHEREAS, lower-income communities are most impacted by global climate change and have the least financial ability to address it; and

WHEREAS, low-carbon technology and infrastructure can often be out of reach for many low-income households and, without direct assistance, many will be left behind; and

WHEREAS, City's Electric Mobility Roadmap and Existing Building Electrification strategy both cite the importance of ensuring equity in access to carbon-free technology and infrastructure; and

WHEREAS, it is in the public interest to establish a Climate Equity Action Fund to assist low-income residents with the cost of transitioning from a carbon-based city; and

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager establish a Climate Equity Action Fund as a repository of city, regional, state, and federal funds related to climate equity for low-income households at or below 50% of Area Median Income, or as designated by Council.

BE IT FURTHER RESOLVED that the Berkeley Energy Commission, or successor, and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee, in consultation with community groups, provide input to staff and Council on at least an annual basis about eligible categories of fund expenditures to maximize equitable emissions reductions and impacts for eligible households.

BE IT FURTHER AND FINALLY RESOLVED that any unexpended funds shall carry over from year to year.



Kate Harrison  
Councilmember District 4

06

ACTION CALENDAR  
June 1, 2021

To: Honorable Mayor and Members of the City Council

From: Councilmember Harrison (Author), Councilmember Bartlett (Co-Sponsor)

Subject: Budget Referral and Resolution Establishing A Pilot Existing Building Electrification Incentive Program to Assist New Homeowners, Renters and Existing Homeowners with Transition to Zero-Carbon Buildings

RECOMMENDATION

1. Adopt a Resolution establishing:
  - a. a two-year Pilot Existing Building Electrification Incentive Program to Assist New Homeowners, Renters and Existing Homeowners with Transition to Zero-Carbon Buildings; and
  - b. an annual process for the Energy (or successor) Commission and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES), in consultation with community groups, to provide input to staff and Council about eligible *categories* of fund expenditures to maximize equitable emissions reductions and impacts for eligible households while leaving the mechanisms for doing so to staff discretion.
2. Refer to the June, 2021 budget process:
  - a. \$1,500,000 of general fund monies from excess equity as seed funding for the two-year pilot, inclusive of staff costs, for FY 2022.

CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

The world is facing a grave climate emergency, requiring municipalities to rapidly transition towards zero carbon economy by 2030. Transitioning Berkeley's economy will require significant investment on the part of both government and residents. It is in the public interest to establish a financial incentive program to assist new homeowners, renters and existing homeowners with the transition to zero-carbon buildings. This item establishes the general scope of a two-year Existing Building Electrification Incentive Program Pilot and refers to staff to design an equitable program with \$1,500,000 for FY22, inclusive of staffing costs, and contingent on the availability of excess equity, from the General Fund. It also asks the Energy (or successor) Commission and FITES Committee, in consultation with community groups, to provide input to staff and Council on at least an annual basis about categories of fund expenditures that would provide the

most benefit for low-income households and to maximize equitable emissions reduction impacts. The establishment of this program is consistent with staff and Council goals and budgetary priorities.

## BACKGROUND

According to the best available science, a 50% reduction in emissions must happen worldwide by 2030 or earlier in order to delay extremely catastrophic warming. To meet the U.N.'s global 2050 target to keep emissions as close as possible to 1.5 degrees Celsius, wealthy nations and cities will near zero by 2030.<sup>1</sup>

As a result of the scientific and economic realities of climate change, and despite the people of Berkeley's average relative wealth, it is not realistic to expect the owners of the City's approximately 46,000 residential housing units to electrify their buildings in a decade without significant government co-investment. Low-carbon technology can often be out of reach of many low-income households and, without direct assistance, many will be left behind. Transitioning Berkeley's economy will require significant investment on the part of both residents and the government. Following Berkeley's 2019 landmark prohibition on natural gas infrastructure, staff have released a Draft Berkeley Existing Buildings Electrification Strategy that is currently unfunded.

Such investments would significantly lower Berkeley's carbon emissions, at least 37% of which are from buildings, and provide residents with a plethora of health and safety benefits that will likely outweigh upfront costs. The program can be crafted in a way that supports good paying jobs, for example including unionized contractors, workforce development and local hire requirements. The transition to a zero-carbon city thus has the potential to uplift both workers and residents.

In January 2021, the City's Office of Energy and Sustainable Development reported to the Energy Commission that the cost of electrifying the City's entire low-rise building stock (90% of all Berkeley buildings and 65% of floor area) would be between \$700 and \$880 million. An additional \$120 million is needed for efficiency improvements and solar.

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<sup>1</sup> IPCC, 2018: Summary for Policymakers. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. *World Meteorological Organization, Geneva, Switzerland, 32 pp.* <https://www.ipcc.ch/sr15/chapter/spm/>.

Item 9 - Communications  
Energy Commission  
January 27, 2021

1/27/2021

### Draft Total Costs

Approximate total modeled costs for converting Berkeley's low-rise housing stock today:

- Covers 36,000 1-3 floor homes (90% of all Berkeley buildings and 65% of floor area)
- \$280-430 Million more than business-as-usual gas replacements (no solar or envelope improvements)
- Additional \$220-660 Million for envelope efficiency and solar PV

	No Solar	Minimum Solar (Offset)	Maximum Solar (Net Zero Energy)
Economy Appliances	\$700 Million	\$930 Million	\$1.2 Billion
Mid-Tier Appliances	\$880 Million	\$1 Billion	\$1.2 Billion
Mid-Tier + Envelope Improvements	\$1 Billion	\$1.2 Billion	\$1.4 Billion

Clearly, this relatively modest pilot program would only make a small dent in the City's retrofit challenge, perhaps facilitating 400-500 retrofits per year. However, the success of this pilot program will likely spur the Council and residents to seek additional federal, state and local funds to expand the program in subsequent years. The expertise and lessons learned through this pilot will help guide future efforts aimed at closing the 46,000 gas-powered residential unit challenge.

Since 2018, the Council has explored opportunities to increase public investment in building electrification retrofits. Councilmember Harrison's November 27, 2018 referral, following the passage of the Climate Emergency Declaration, requested that the City Manager draft an ordinance expanding eligibility for the existing Seismic Transfer Tax Rebate Program to include electrification and other resiliency measures. Staff subsequently presented the draft ordinance to Council in July of 2020 at the outset of the COVID-19 pandemic with a recommendation to take no action for a year due to COVID-19-related fiscal uncertainty, and the item was held over at the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES).

At the same time, staff also presented to FITES a related referral to design a companion Resilient Homes Equity Pilot Program that would provide funding for home retrofit improvements to low-income residents. FITES and Council agreed to move the Resilient Homes Equity Pilot Program design and research process forward in November, 2020.

Many economic and public health indicators suggest that the City is entering a more optimistic phase in the pandemic, to include the influx of substantial – but temporary - federal stimulus monies through the 2021 American Rescue Plan Act and the anticipation of a fairly rapid rebound in revenues to pre-pandemic levels. Transfer tax revenues for FY21 are estimated at \$20 million (compared with \$20 million in FY 19) and the city expects to receive a one-time two-year allocation of \$68 from the 2021 American Rescue Plan Act.

As a result, it is in the public interest to revisit the July 2020 item to see how the City can best move forward with providing residents with critical greenhouse gas reduction incentives in order to address our larger and longer-term crisis: climate change.

According to recent 2020 transfer tax data from OESD, on average between 2014-2019, 845 residential units were transferred per year, generating approximately an average of \$4.6 million total per year in eligible rebates for the Seismic Transfer Tax Program. The city has approximately 46,000 occupied housing units, with the vast majority being gas-powered.

### **Existing Building Electrification Incentive Program Pilot**

Since early 2021, Councilmember Harrison’s office and the FITES Committee have been working with City staff to explore opportunities to fund retrofits through general fund transfer tax revenues and establishing a cap on total and per beneficiary allocations. In working with the City Manager, we have concluded that while the existing transfer tax rebate system is a good vehicle for allocating at point of sale, it does not provide funding for existing homeowners who may need to replace a broken appliance or who want to make voluntary retrofits. A better vehicle is a two-year pilot; this requires fewer staff resources to administer and builds on significant staff experience and expertise administering incentive programs.

This item provides an alternative to the Seismic Transfer Tax Rebate model in the form of a budget referral and resolution establishing two-year pilot incentive program funded via general fund allocations, which are currently partially funded by transfer tax revenue.

Currently, the Council approved amount in transfer tax revenues is allocated to the General Fund (as in the past, at \$12.5 million) and some portion is typically set aside for capital projects (generally at \$2 million). For the first year of this pilot program this item proposes to allocate a total of \$1.5 million in excess Transfer Tax equity which would be inclusive of staff’s administrative costs.<sup>2</sup> On adoption of this proposal, total transfer tax expenditures would amount to approximately \$17 million, including the \$12.5 million typically allocated to the General Fund programs and the \$2 million to capital programs.

While the program will ultimately be designed by OESD staff through administrative regulation, this item also includes a resolution officially establishing the program and providing general parameters for how staff should allocate the proposed \$1.5 million retrofit fund. This program and the \$1.5 million allocation are already included as a line item in the Planning & Development Department’s Fiscal Year 2022 proposed budget.

New property owners are most likely to remodel their units shortly completing the purchase. Thus, the Draft Berkeley Existing Buildings Electrification Strategy recommends allocating some portion of the fund for transferees of residential properties within two years of point of sale. The City is also exploring opportunities to adopt certain mandatory electrification requirements for transferees of new buildings through its BESO program, starting with the largest buildings.

Equitably supporting existing homeowners and renters whose appliances, e.g., their water heater, break down suddenly, and those who wish to embark upon voluntary electrification projects to include new appliances, electrical work (e.g., panel upgrades) are also elements of the Building Electrification strategy. This part of the program would be similar to Marin County’s Electrify Marin program which provides residents with income-qualified incentives for building electrification and panel upgrades. Since 2019, Marin has disbursed over \$100,000 in rebates.

**Electrify Marin**

<b>Appliance Type</b>	<b>Standard Rebate</b>	<b>Income Qualified Rebate</b>
<b>Heat Pump Water Heater</b>	\$1,000	\$2,000
<b>Heat Pump Space Heater</b>		
Central Heat Pump	\$1,000	\$4,500
Mini-Split Heat Pump	\$800	\$3,000
<b>Induction Cooking</b>		
Range (Cooktop & Oven)	\$500	\$500
Cooktop only	\$250	\$250
<b>Service Panel Upgrade</b>	\$500	\$1,200

<sup>2</sup> This amount would be in addition to a separate \$500,000 Climate Equity Action incentive fund proposed by Councilmember Harrison, Mayor Arreguin, and Councilmembers Taplin and Robinson.

These incentives would be paired with rebates available through BayRen and EBCE, which are helpful but fall far short of the actual cost. For example, BayRen and EBCE offer \$2,000 for water heaters, which typically cost approximately \$5,000-\$10,000 when one includes the cost of potential electrical and panel upgrades. Berkeley's incentive program is also needed to pay for space heating electrification, and needed panel and other electrical upgrades for which there are currently no incentives. Electrical, panel and space heating upgrades are typically the most expensive part of any electrification project.

Staff have indicated that they believe an additional incentive of approximately \$2,500 per property owner would be significant to persuade many property owners to electrify.

### **Alternatives Considered**

FITES discussed whether to expand this program beyond building electrification to include fire safety and resilience upgrades. However, at this time, fire programs have separate revenue sources and greenhouse gas reduction is a top priority given the need to reduce emissions to near zero by 2030 per the 2018 IPCC report. For example, fire safety measures have received generous support from the voters through Measure FF, whereas climate is still severely underfunded. In addition, global warming is one of the chief causes of increased fire threats.

### **FINANCIAL IMPLICATIONS**

This item would result in a one-time investment of \$1,500,000 from excess equity to provide initial funding for a two-year Existing Building Electrification Incentive Program Pilot to assist property owners and renters with the transition to a zero-carbon economy. This investment includes staff costs to run the program.

### **ENVIRONMENTAL SUSTAINABILITY**

Supporting incentives for building decarbonization will complement and accelerate Berkeley's ongoing efforts to reduce carbon emissions at an emergency and equitable pace in line with the Climate Action Plan, Climate Emergency Declaration, and Existing Building Electrification Strategy.

### **CONTACT PERSON**

Councilmember Kate Harrison, Council District 4, 510-981-7140

RESOLUTION NO. ##,###-N.S.

RESOLUTION ESTABLISHING A BUILDING ELECTRIFICATION INCENTIVE PILOT PROGRAM

WHEREAS, the world is facing a grave climate emergency, requiring municipalities to rapidly transition towards a zero-carbon economy by 2030; and

WHEREAS, transitioning Berkeley's economy will require significant investment on the part of both government and residents as staff have estimated that converting Berkeley's approximately 46,000 residential housing units will likely cost hundreds of millions of dollars; and

WHEREAS, low-carbon technology and infrastructure can often be out of reach for many households and, without direct assistance, many will be left behind; and

WHEREAS, moderate and lower-income communities are most impacted by global climate change and have the least financial ability to address it; and

WHEREAS, City's Draft Existing Building Electrification strategy both cite the importance of ensuring equity in access to carbon-free technology; and

WHEREAS, it is in the public interest to establish a two-year Existing Building Electrification Incentive Program to assist residents with the cost of transitioning from a carbon-based city; and

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager establish an Existing Building Electrification Incentive Program to invest in the following priorities, to be further defined by staff:

1. incentives for transferees of residential property to include appliance retrofits and electrical upgrades (including panel upgrades);
2. equitable incentives for existing residential property owners and renters pursuing electrification retrofits or replacing broken or outdated appliances, to include electrical upgrades (including panel upgrades);
3. a nexus with good paying jobs, for example use of unionized contractors, workforce development programs and local hire requirements.

BE IT FURTHER RESOLVED that the Berkeley Energy Commission, or successor, and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee, in consultation with community groups, provide input to staff and Council on at least an annual basis about eligible categories of fund expenditures to maximize equitable emissions reductions and impacts for eligible households.

BE IT FURTHER AND FINALLY RESOLVED that any unexpended funds shall carry over from year to year.

